



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

August 29, 2006

Yates Petroleum Corporation

105 South 4th Street

Artesia, NM 88210

Attn: Mr. Cy Cowan or To Whom it May Concern

**RE: Yates Petroleum Corporation's
Applications to drill (APDs) for the following wells:**

Jacque "AQJ" State # 8, located in Section 34, Township 21 South, Range 31 East,
990' FSL & 2310' FWL, Eddy County, New Mexico, NMPM, API # 30-015-35090

Jacque "AQJ" State # 9, located in Section 34, Township 21 South, Range 31 East,
1650' FSL & 1650' FWL, Eddy County, New Mexico, NMPM, API # 30-015-35091

Jacque "AQJ" State # 10, located in Section 34, Township 21 South, Range 31 East,
990' FSL & 990' FWL, Eddy County, New Mexico, NMPM, API # 30-015-35092

Jacque "AQJ" State # 11, located in Section 34, Township 21 South, Range 31 East,
1650' FNL & 1650' FWL, Eddy County, New Mexico, NMPM, API # 30-015-35093

Dear Mr. Cowan or to Whom It May Concern,

The New Mexico Oil Conservation Division ("NMOCD") approved the above noted wells on August 22, 2006. The approval for each application was due (in part) with Yates Petroleum Corporation and Pogo Producing Company's agreement with Mississippi Potash Company effective June 16, 2000. However, please find the attached letter received today by email to our office from Intrepid Potash Company, formally Mississippi Potash Company.

In the e-mail, Intrepid notes: "Intrepid Mining does not approve the drilling of these wells."

Until this matter can be resolved between Intrepid Potash, Yates Petroleum Corporation and Pogo Producing Company and due to the rules and regulations of R-111-P, the NMOCD withdraws the approval to drill for the above noted APDs.

Please call our office if there are any questions regarding this matter.

Respectfully yours,

Bryan G. Arrant
Petroleum Engineer Specialist/NMOCD-District II
505-748-1283 ext. 103

E Mail: Mark Fesmire, Division Director-Santa Fe
 Daniel Sanchez, Compliance and Enforcement Manager-Santa Fe
 Gail MacQuesten, Assistant General Counsel-Santa Fe
 David Brooks, Assistant General Counsel-Santa Fe
 Tim Gum, District II Supervisor-Artesia
 Thomas A. McGuire, Chief Mine Engineer w/Intrepid Potash NM,LLC-Carlsbad